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No. 86-1004

IN THE

SUPREME COURT OF THE UNITED STATES

OCTOBER TERM 1986

TECHNOGRAPH LIQUIDATING TRUST,
Petitioner,

v.

GENERAL MOTORS CORPORATION,
Respondent.

REPLY BRIEF OF PETITIONER, TECHNOGRAPH LIQUIDATING TRUST

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REPLY BRIEF OF PETITIONER, TECHNOGRAPH LIQUIDATING TRUST

Summary of Argument

1. Respondent cannot and does not dispute petitioner's primary position that the explicit statutory language of 28 U.S.C. sec. 1295(a)(1) vests exclusive jurisdiction of the appeal in the Federal Circuit where the district court's jurisdiction was, as here, based in whole or in part upon the patent code. This Court should now enforce that congressional mandate by directing the lower courts to follow precisely that straightforward legal standard and to avoid added criteria.

2. Assuming *arguendo* that the Federal Circuit has exclusive jurisdiction only where there is a substantial patent issue on appeal, petitioner fully satisfies that requirement. Here, the lower courts failed to award any royalty whatsoever on non-bumper parts even though they found that 1.3 billion non-bumper parts infringed, and even though the patent code (35 U.S.C. sec. 284) mandates damages "*in no event* less than a reasonable royalty" once a patent is held valid and infringed. The Third Circuit, on the accounting, held that the award of *no royalty* whatsoever on 1.3 billion non-bumper parts found to be infringing *does* comply with the patent statute. *Devex Corp. v. General Motors Corp.*, 667 F.2d 347, 363 (3d Cir. 1981), *cert. denied in part and granted in part*, 456 U.S. 988 (1982).

Reconsideration of this erroneous holding is proper because supervening "controlling authority [of the Federal Circuit] has since made a contrary decision of the law applicable to such issues," *Central Soya Co., Inc. v. Geo. A. Hormel & Co.*, 723 F.2d 1573, 1580 (Fed. Cir. 1983): in *Stickle v. Heublein, Inc.*, 716 F.2d 1550, 1561 (Fed. Cir. 1983) (interpreting sec. 284), the Federal Circuit clearly stated that once infringement is found an award of no royalty is "contrary to the express statutory provision."

3. GM implicitly acknowledges that where there are issues "still present based on the patent statutes," exclusive jurisdiction is vested in the Federal Circuit (GMB 86-1179, 9).[1] Petitioner has demonstrated that substantial patent issues are, in fact, presented on the appeal. Thus, GM's characterization of the patent issues—namely failure to award any royalty whatsoever based on 1.3 billion parts found to have infringed—as "trivial, frivolous and immaterial" (*id.*) is plainly untenable. The Federal Circuit did not find an absence of patent issues on the appeal. Significantly, GM makes no argument to the contrary.

Moreover, GM concedes that the Federal Circuit's reconsideration of the Tenth Circuit's holding on liability in a patent case under the law of the case doctrine is within the jurisdiction of the Federal Circuit and, thus, constitutes a patent issue. (*Id.*, 12). *A fortiorari* reconsideration of a "damage" issue in a patent case, as here, is likewise a patent issue on appeal.

4. Judicial efficiency requires that the jurisdictional uncertainty surrounding 28 U.S.C. sec. 1295(a)(1), compounded by the order below, be remedied forthwith. As the Seventh Circuit

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[1] References to Technograph's Petitions for a Writ of Certiorari, Docket Nos. 86-1004 and 86-1179, are referred to as "P 86-1004, ___" and "P 86-1179, ___", respectively, including page number. References to General Motors' Briefs in Opposition to Petition for Certiorari, Dockets Nos. 86-1004 and 86-1179, are referred to as "GMB 86-1004, ___" and "GMB 86-1179, ___" respectively, including page numbers. Emphasis supplied throughout unless otherwise noted.

recently stated, "[t]he instant appeal is but another in the burgeoning list of cases delineating at considerable expense to the parties and *the judicial system* . . . the boundaries of 28 U.S.C. sec. 1295(a)(1)." *Christianson v. Colt Industries Operating Corp.*, 798 F.2d 1051, 1058 n. 10 (7th Cir. 1986).

RE QUESTION NO. 1

This case presents an excellent opportunity for this Court to render a definitive ruling establishing the bright line boundaries of the jurisdiction of the Federal Circuit in accordance with the explicit statutory language of 28 U.S.C. sec. 1295(a)(1) since the case indisputably arose under 28 U.S.C. sec. 1338 and there is a substantial patent question on appeal.

The Federal Courts Improvement Act of 1982 provides that the Federal Circuit shall have "exclusive jurisdiction of an appeal from a final decision of a district court—if the jurisdiction of the court was based, in whole or in part, on section 1338 of this title (the jurisdictional statute covering civil patent suits)." 28 U.S.C. sec. 1295(a)(1). The facts of this case—(1) the jurisdiction of the district court under 28 U.S.C. sec. 1338 and (2) the substantial patent question on appeal—squarely call for a ruling by this Court establishing the bright line boundaries of the Federal Circuit's jurisdiction. Specifically, this petition contains "special and important reasons" for granting the writ, Sup. Ct. R. 17.1, since the questions presented involve the proper interpretation of a statute which explicitly vests "exclusive jurisdiction" in the Federal Circuit. A definitive ruling from this Court will have important beneficial ramifications by eliminating time consuming jurisdictional uncertainty regarding 28 U.S.C. sec. 1295(a)(1) in future cases.[2]

[2] By contrast, *Rice v. Sioux City Memorial Park Cemetery, Inc.*, 349 U.S. 70 (1955) (cited by Respondent, GMB 86-1004, i; GMB 86-1179, ii) in which the Supreme Court dismissed a writ of certiorari as improvidently granted, involved a case of truly "isolated significance". A state statute which prohibited cemeteries from denying burial on account of race or color had been enacted

(*footnote continued on following page*)

The statute gives the Federal Circuit exclusive jurisdiction of patent appeals after October 1, 1982, and its interpretation is not influenced by the prior history of the current litigation.

28 U.S.C. 1295(a)(1) affirmatively states the exclusive jurisdiction of the Federal Circuit in specific circumstances. The exclusiveness feature cannot be "read . . . out of" the statute. *Hohri v. United States,* 782 F.2d 227, 240, 258 (D.C. Cir.), *cert. granted,* 55 U.S.L.W. 3348 (1986). In *Hohri,* both the majority and the minority agreed on this proposition. *Id.* As stated in the legislative history, "an adequate showing has been made for nationwide subject matter jurisdiction in the areas of patent . . . appeals." Sen. R. at 4, 1982 U.S. Code Cong. & Ad. News, 14.

Nothing in the statute even remotely suggests that the exclusive jurisdiction of the Federal Circuit is influenced by the prior history of the current litigation or by another court's familiarity with the case.[3] Any such reading is totally inconsistent with the statutory language and, as a matter of policy, this Court should not permit it to stand. Respondent's attempted obfuscation of the issue by its focus on the prior history of the case and its reference to this as a "vanishing type of case"

(*footnote continued from preceding page*)
subsequent to the relevant incident, thus limiting the public importance of plaintiff's suit seeking damages for mental suffering flowing from the cemetery's refusal to bury plaintiff's Indian husband and avoiding the need to resolve the constitutional question whether a racially restrictive covenant would be a defense.

In the petition *sub judice,* all the facts relevant to the Court's determination—the jurisdiction of the district court and the questions on appeal—are as important for future cases as for this case. The irrelevant facts (for jurisdictional purposes), *i.e.,* the prior appeals to the Third Circuit, may be unique to this case, but can in no way affect the interpretation of 28 U.S.C. sec. 1295(a)(1).

[3] "Here we do not base our decision on policy concerns for fairness or efficiency. On the contrary, we take jurisdiction on the basis of our reading of the plain meaning of the statutory language." *Hohri v. United States,* 782 F.2d 227, 240 n. 28 (D.C. Cir.), *cert. granted,* 55 U.S.L.W. 3348 (1986).

(GMB 86-1004, i) is totally without merit since that history is irrelevant to proper interpretation of the statute.

The position advocated in this petition would not subvert the rule established in *USM Corp. v. SPS Technologies, Inc.*, 770 F.2d 1035 (Fed. Cir. 1985). In that case there had been an explicit finding that all patent issues had been finally adjudicated. 770 F.2d at 1037. Here, there can be no such finding. Indeed, in its transfer order the Federal Circuit recognized the presence of the patent law question, but then erroneously transferred the case to the Third Circuit.

Respondent's reliance on the Third Circuit's prior denial of any royalty whatsoever misses our point that application of "the law of the case" doctrine, as well as its exceptions, in a patent case itself presents a substantial patent question. *Central Soya Co., Inc. v. Geo. A. Hormel & Co.*, 723 F.2d 1573, 1580 (Fed. Cir. 1983).

> This appeal presents unusual circumstances in that the same court is not being asked to reconsider its own prior decision. Rather, we are being asked to review the decision of the Tenth Circuit Court of Appeals in a case over which we have exclusive jurisdiction by virtue of an Act of Congress. In our opinion, the purpose and intent of the law of the case doctrine is fully applicable to this transitory situation, and all interests will be served by adherence to it . . . . While the law of the case doctrine is applicable, and acts as "a heavy deterrent to vacillation on arguable issues," it is not an inexorable command, and should be applied "as a matter of sound judicial practice, under which a court generally adheres to a decision in a prior appeal in the case unless one of three 'exceptional circumstances' exists: 'the evidence on a subsequent trial was substantially different, controlling authority has since made a contrary decision of the law applicable to such issues, or the decision was clearly erroneous and would work a manifest injustice.' "

Id. (citations omitted).

Further, to the extent that the merits of this litigation are now before the Court, the failure of the district court to award any royalty after finding infringement of 1.3 billion non-bumper parts in the face of a statute which explicitly provides that the awarded damages shall be *"in no event less than a reasonable royalty"*, 35 U.S.C. sec. 284, amounts to a travesty of justice. Moreover, the contrary supervening decisions by the Federal Circuit highlight the importance of reconsidering that erroneous holding.

Once infringement is found, an award of no royalty is "contrary to the express statutory provision." *Stickle v. Heublein, Inc.*, 716 F.2d 1550, 1561 (Fed. Cir. 1983) (interpreting sec. 284). Specifically, upon a finding of infringement, the District Court has *"no alternative* but that of measuring damages by what would have been a reasonable royalty." *Railroad Dynamics, Inc. v. A. Stucki Co.*, 727 F.2d 1506, 1520 (Fed. Cir.), *cert. denied*, 469 U.S. 871 (1984). The Federal Circuit rejected the result that "no damages would be awardable" upon a finding of infringement. *Stickle v. Heublein, Inc., supra; Hanson v. Alpine Valley Ski Area, Inc.*, 718 F.2d 1075, 1078 (Fed. Cir. 1983). Thus, under supervening decisions of the Federal Circuit, the District Court, upon findings of validity and infringement, *"must"* (but failed to) determine a reasonable royalty.

Congress in the 1946 patent statute provided for damages in an amount *"not less* than a reasonable royalty." In 1952, Congress deliberately changed "not" to *"in no event"* less than a reasonable royalty. "In no event," means "in no case" or "in no circumstance." No exceptions are stated to this explicit mandate. Since a reasonable royalty is based on a court-created fiction of a hypothetical negotiation between a willing buyer and a willing seller, who would obviously never agree to a zero royalty, there can never be a failure of proof with respect to a reasonable royalty. *See Sel-O-Rak Corp. v. Henry Hanger & Display Fixture Corp.*, 159 F. Supp. 769, 776 (S.D. Fla. 1958), *aff'd*, 270 F.2d 635 (5th Cir. 1959). This concept was grasped by the Federal Circuit in the supervening decisions upon which we rely in contradiction of the decision in the District Court and in the Third Circuit.

The fact that the litigation has extended over thirty years—during which time plaintiff proved its patent valid, proved infringement, yet collected no royalty for non-bumper parts—dramatizes the gross injustice. It does not lie in the mouth of defendant who has deprived plaintiff of its monies for thirty years, to complain of exhaustion (GMB 86-1004, 10; GMB 86-1179, 14).[4]

This case indisputably presents a petition from a final judgment of the Federal Circuit.

Contrary to respondent's bald assertion that the subject of the petition is an interlocutory order, the Court will note that the Federal Circuit entered *judgment* in connection with its transfer order (P 86-1004, 1a; P 86-1179, 1a). That judgment is indisputably final insofar as the Federal Circuit divested itself of jurisdiction by the judgment.[5]

Respondent's comment that the Federal Circuit and the Third Circuit agree that the appeal should be in the Third Circuit (GMB 86-1004, 10) implies the untenable proposition that the Circuit Courts of Appeal may apportion jurisdiction among themselves by agreement without regard to the mandatory jurisdictional provisions of the statute.

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[4] Significantly, in an effort to save costs and judicial time, plaintiff attempted to resolve the 1986 postjudgment interest issue amicably prior to its motion in the district court. Plaintiff's efforts to secure postjudgment interest certainly cannot be called frivolous. With regard to postjudgment interest on a different issue, Judge Gibbons noted,

> "By allowing General Motors the interest-free use of delinquent payments, the court is depleting plaintiffs' real recovery as surely as if it had simply reduced the amount of their award. It is, moreover, rewarding General Motors for resorting to this court on several occasions in the interest of delay."

Devex Corp. v. General Motors Corp., 749 F.2d 1020, 1028 (3d Cir. 1984) (Gibbons, J. dissent), *cert. denied*, 106 S. Ct. 68 (1985).

[5] Indeed, Respondent implicitly recognizes the weakness of its position, inasmuch as it merely states its conclusion twice, cites two cases presenting totally different circumstances, and fails to argue the point. (GMB 86-1004, i, 5; GMB 86-1179, ii-iii, 7-8).

A clear statement by this Court regarding the exclusive jurisdiction of the Federal Circuit is necessary to remedy the "jurisdictional uncertainty" surrounding 28 U.S.C. sec. 1295(a)(1). *Christianson v. Colt Industries Operating Corp.*, 798 F.2d 1051, 1058 n. 10 (7th Cir. 1986). Contra defendants (GMB 86-1179, 5-6), the Seventh Circuit in *Christianson* recognized the "burgeoning list of cases", *id.*, involving disputes regarding the boundaries of 28 U.S.C. sec. 1295(a)(1). *Christianson* is unique only in the sense that the Seventh Circuit disagreed with the Federal Circuit's transfer order. Other cases amply demonstrate the pervasive uncertainty regarding the Federal Circuit's jurisdiction. *See e.g. Albert v. Kevex Corp.*, 729 F.2d 757 (Fed. Cir. 1984) (exclusive jurisdiction in Federal Circuit on non-patent issues where patent issues remained to be adjudicated); *Chemical Engineeering Corp. v. Marlo, Inc.*, 754 F.2d 331 (Fed. Cir. 1984) (although plaintiff's complaint pleaded jurisdiction on diversity alone, court found that jurisdiction under 28 U.S.C. sec. 1338 inhered in action, *mandating* appeal to Federal Circuit); *Gilson v. Republic of Ireland*, 787 F.2d 655 (D.C. Cir. 1986) (no Federal Circuit jurisdiction since suit for misappropriation of rights under patent license did not arise under 28 U.S.C. sec. 1338).

In order to avoid the judicial waste of time at the court of appeals level resulting from the jurisdictional uncertainties compounded by the judgment below, this Court need only issue a straightforward order re-establishing the Federal Circuit's exclusive jurisdiction as established by congressional mandate.

RE QUESTION NO. 2

28 U.S.C. sec. 1631, which explicitly requires the court of appeals to find "a want of jurisdiction" before entering a transfer order, cannot be circumvented by focusing on judicial efficiency.

28 U.S.C. sec. 1631, captioned "[t]ransfer to cure want of jurisdiction, permits a court to transfer an appeal if "that court finds that there is a want of jurisdiction" in it. As explicitly stated in the text of the statute (and reinforced by the caption)

the finding of a want of jurisdiction is a prerequisite to transfer. *Hempstead County and Nevada County Project v. Environmental Protection Agency*, 700 F.2d 459, 462 (8th Cir. 1983) ("First, the court where the action is originally filed must find that there is a want of jurisdiction;"). Any suggestion that exclusive jurisdiction can be abdicated without such a finding is untenable. Respondent's statement that "as required by sec. 1631, it was in the interest of justice to transfer the case to the Third Circuit" (GMB 86-1004, ii), ignores the fact that the court must *first* find that there is a want of jurisdiction before it may consider whether the interest of justice warrants a transfer.[6]

Respondent mischaracterizes the Federal Circuit's statement in the well-reasoned opinion of *Atari, Inc. v. JS & A Group, Inc.*, 747 F.2d 1422 (Fed. Cir. 1984) (GMB 86-1004, 8; GMB 86-1179, 11-12). The statement in *Atari* that courts have declined jurisdiction "over pendent and ancillary claims in the interests of '*judicial economy, convenience, and fairness to litigants*' " was made *only* in connection with said *pendent and ancillary jurisdiction*. *Atari* carries no suggestion that concerns of judicial efficiency may divest a court of *mandatory exclusive* jurisdiction.

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[6] Respondent *sub silentio* admits that the Federal Circuit's transfer order lacked the requisite finding of a want of jurisdiction as it states that what the Federal Circuit did here (where it made no finding of a want of jurisdiction) is the same thing it did in *USM Corp.* "where [the Federal Circuit] spelled out its lack of jurisdiction in an opinion." (GMB 86-1179, 10). A straightforward reading of the two-page order evidences absolutely no mention of a want of jurisdiction.

CONCLUSION

For the reasons stated in the Petition and herein, the Petition for a Writ of Certiorari should be granted.

Respectfully submitted

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